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May 2011

Future Directions Australian Small Companies Fund - Wholesale

Investment objective

To provide total returns (income and capital growth) after costs and before tax, above the Fund's performance benchmark on a rolling 3 year basis.

Minimum suggested time frame

7 years

Fund description

The Fund primarily invests in a diversified portfolio of Australian small companies listed on the Australian Securities Exchange. 'Small companies' are considered to be those outside the top 100 listed companies, by market value.

Performance benchmark

S&P/ASX Small Ordinaries Accumulation Index

Inception date

28 Feb 2006

Fund size

\$401.16 million

Management costs

0.9738% plus possible performance fees

Distribution frequency

Half Yearly

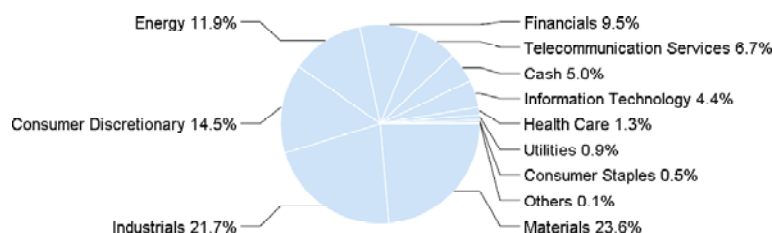
Buy/sell spread

+0.25/-0.25

Investment approach

The Fund is designed to blend specialist investment managers with the aim of maximising returns and managing levels of risk. In structuring the Fund, we take a four-stage investment approach - setting objectives and asset allocation, targeted manager selection, portfolio construction and implementation, and ongoing portfolio and manager review.

Asset Allocation



Performance – as at 31 May 2011

Inception Date – 28 Feb 2006

%	1 mth	3 mth	6 mth	1 yr	3 yr	Incept
Before tax and fees	-1.07	-1.39	9.25	29.54	2.25	6.57
Benchmark	-1.89	-4.70	1.08	18.07	-4.76	2.97
Distribution	-0.00	-0.00	1.84	2.17	1.80	6.95
Growth	-1.16	-1.66	16.05	36.32	1.93	0.02
Total return - after fees	-1.16	-1.66	17.89	38.48	3.73	6.98

Past performance is not a reliable indicator of future performance. Performance is annualised for periods greater than one year.

Total returns are calculated using the unit price which uses the net asset values for the relevant month end. This price may differ from the actual unit price for an investor applying for or redeeming an investment. Actual unit prices will be confirmed following any transaction by an investor. Returns quoted are before tax, after Class 'O' fees and costs, assume all distributions are reinvested and are annualised for periods greater than one year.

Performance and Activity

The Fund's outperformance was due to both positive sector allocation and stock selection. Stock selection was particularly strong within the Energy and Materials sectors. The Fund's underlying managers all had strong results in May, with Kinetic, Eley Griffiths and Perennial each outperforming.

Eley Griffiths outperformed overall despite stock selection detracting some value, especially within the Health Care sector. Kinetic outperformed as a result of strong stock selection, mainly within the Materials sector. Perennial added value through stock selection and sector allocation, in particular its overweight position to the outperforming Telecommunication Services sector. Overall, the Fund is largely style neutral, with positive tilts towards value, growth, momentum and quality characteristics.

Market commentary

In May, the S&P/ASX Small Ordinaries Index fell by 1.9%, slightly less than the broader S&P/ASX300 Index which fell by 2.0%.

The month equity markets were affected by a correction in commodities, deterioration in the Greek debt situation and a number of signs that suggest the economic recovery will be more sluggish than many had been expecting. At the same time, inflation remains at elevated levels although there are hopes that the policy measures applied by Asian and other emerging economies' governments will cool inflation in the second half of the year. The developed world paints an uncertain picture at the moment, with US quantitative easing coming to an end and a political stand-off brewing over the country's debt approaching its legislated limits; a marked slowdown in business surveys in the US, UK and Europe; and a slowing rate of recovery in employment.

The Australian economy is also beginning to show some signs of softening, including slower trend growth in employment, weakening consumer confidence and soft housing approvals combined with an increase in mortgage arrears. Some of this weakness reflects global factors while some reflects factors of a more local nature. Australia's economic growth has been affected by the floods and cyclone in Queensland earlier this year. Continuing strength in the Australian dollar (A\$) also continues to pose challenges for the export, tourism and manufacturing industries; the latter is also suffering from the high price of oil. During the month, Moody's downgraded its long-term credit ratings of major Australian banks, citing their exposure to wholesale funding markets as a vulnerability.

In this environment, the best performing sectors were Telecommunication Services, Consumer Staples and Utilities. Health Care should have also been a strong performer, but the sector was hurt by stock-specific issues which caused it to be the worst performer for the month. Cyclical sectors, particularly Consumer Discretionaries, Information Technology, Materials and Financials showed weakness.

Outlook

Australian shares are likely to lag their global counterparts as a result of the dampening impact of higher local interest rates and the strong Australian dollar.

Volatility is likely to persist in the near future. A number of factors present headwinds for the small companies segment of the market, including the still strong A\$ and evidence of softening in the domestic economy. Valuations do not appear particularly stretched, but are not cheap enough to provide a buffer in case of a broader based sell-off. Having said this, our managers still find good opportunities at the stock level and the Australian economy is better placed than most other developed economies. Therefore, we believe small companies still offer opportunities in the longer term.

Manager Focus

Perennial Value Management (core)

The Perennial portfolio outperformed its benchmark in May.

The best performing stock in the portfolio was Coventry Group, which rallied following the disposal of its WA auto parts business. Other strong performers during the month included Technology One, which reported a strong interim result; New Hope Corporation, which announced an increase in its coal reserves; TFS Corporation; Aquarius Platinum; and Atlas Iron.

The main stock detractor during the month was Clough, which was negatively impacted by weather and access delays on its key projects at Gorgon and Papua New Guinea. Mortgage Choice was also weaker, following a general decline in credit growth, despite the company recording its strongest monthly home loan approvals since October 2009.

Following strong share price gains, Perennial took some profits in Coventry Group, TPG Telecom, Fantastic Holdings, NIB Holdings and Western Plains Resources. Proceeds were used to add to the portfolio's positions in Amcom, Mortgage Choice and Clough. The manager exited its positions in Skilled Group on valuation grounds, and Bank of Queensland due to the slow rate of recovery in Queensland and lacklustre credit growth in general. The proceeds were used to build a position in Whitehaven Coal following the significant share price retracement after the company terminated discussions with parties interested in making a takeover offer.

Target Manager Allocation

Manager	Allocation
Perennial Value Management	43.00%
Kinetic Investment Partners	30.00%
Eley Griffiths Group	27.00%

Investors should consider the current product disclosure statement (PDS) available from AMP Capital Investors Limited (ABN 59001 777 591) (AFSL 232497) for the Future Directions Australian Small Companies Fund - Wholesale unit class before making any decision regarding the Fund. The PDS contains important information about investing in the Fund and it's important investors read the PDS before making a decision about whether to acquire, continue to hold or dispose of units in the Fund. Neither AMP Capital, nor any other company in the AMP Group, guarantees the repayment of capital or the performance of the product or any particular rate of return. Past performance is not a reliable indicator of future performance. AMP Capital makes no representation or warranty as to the accuracy or completeness of any statement in this fact sheet including any forecasts. This fact sheet has been prepared for the purpose of providing general information, without taking account of any particular investor's objectives or financial situation. An investor should, before making any investment decisions, consider the appropriateness of the information in this fact sheet, and seek professional advice, having regard to the investor's objectives and financial situation